

Economy Shows Improvement, but Employment Needs Time to Recover

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SEVERAL MEASURES SHOW SIGNS OF GRADUAL IMPROVEMENT for New York residents as the state emerges from the covid-19 recession. One such indicator is the steep decline of new unemployment insurance claims, which had recently peaked in winter this year (see Figure 1).

New Unemployment Insurance Claims Are Dropping Off

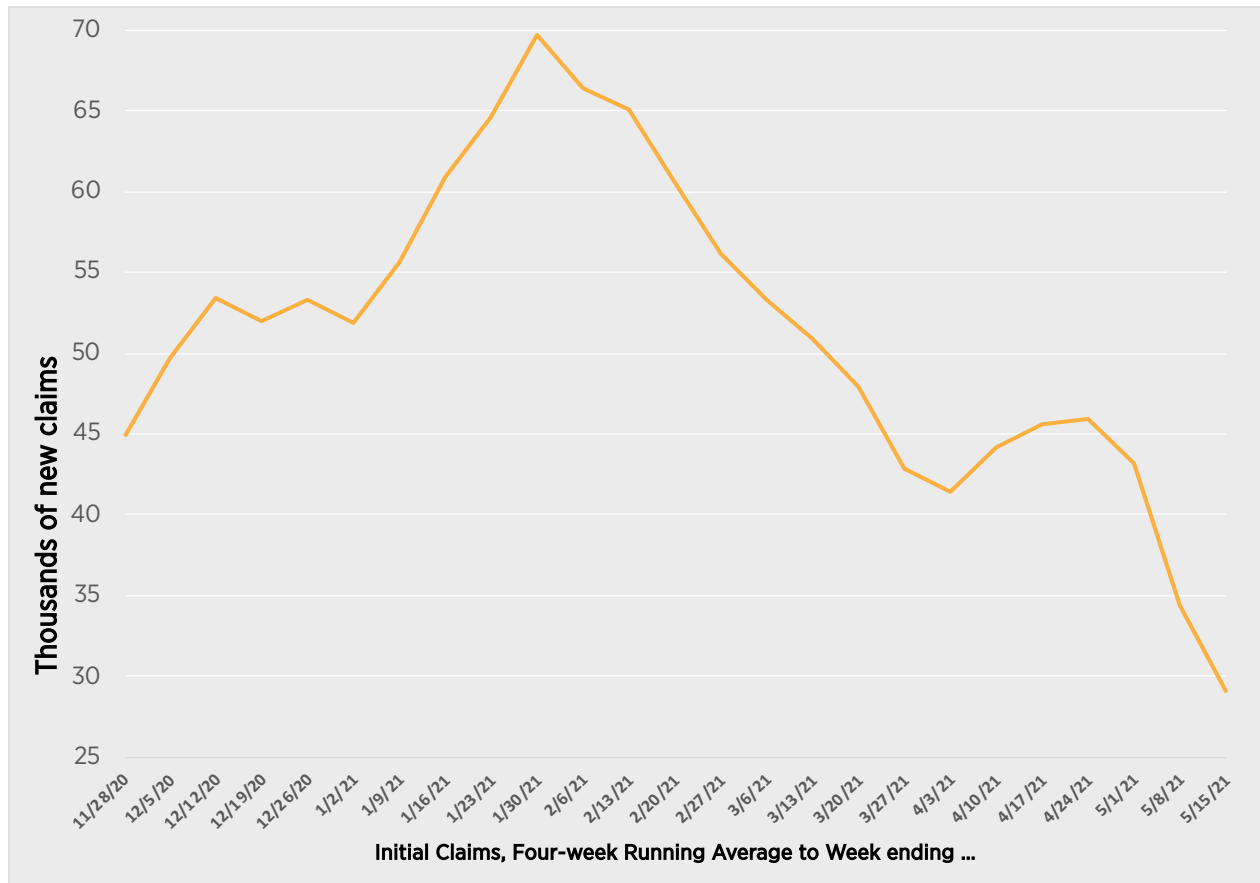


FIG. 1 Source: New York State Department of Labor

Another such positive indicator is the continued gradual decrease in the statewide unemployment (U-3) rate, which peaked at 16.2 in April of 2020 as a result of pandemic-induced layoffs and business closures (see Figure 2).

Basic Unemployment Rate, New York Statewide

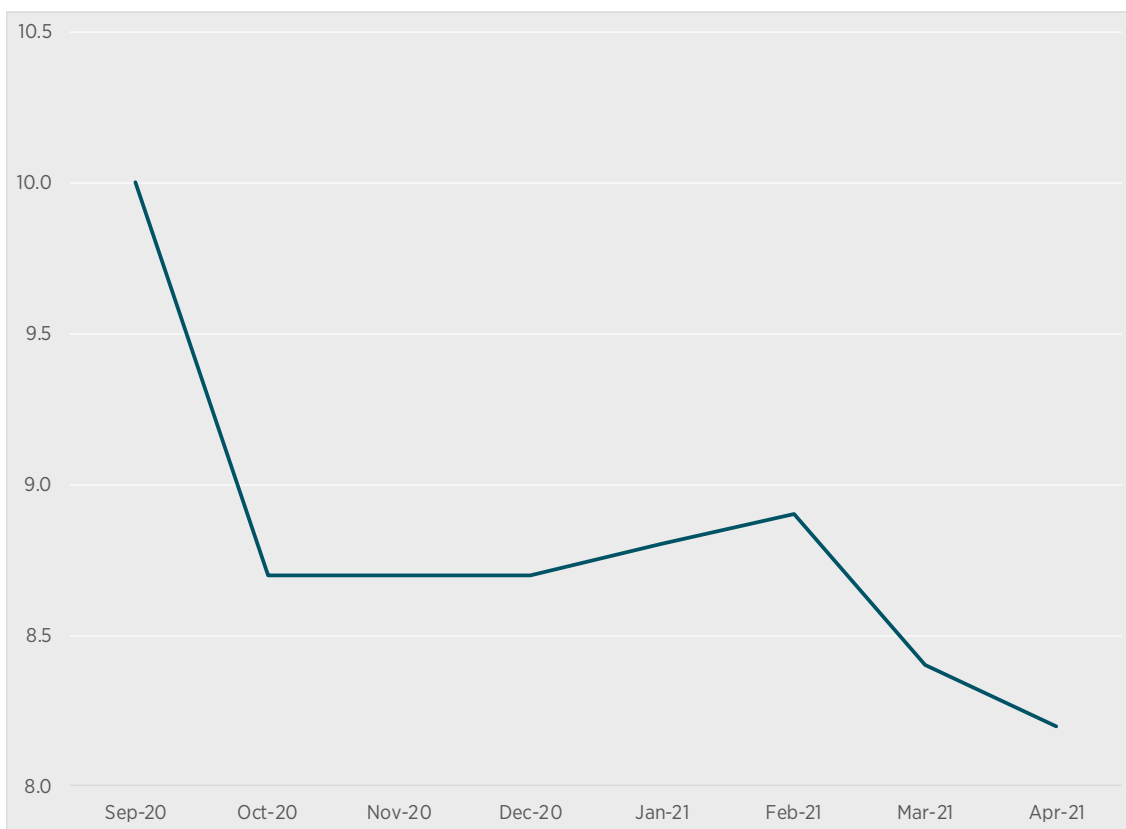


FIG. 2 Source: New York State Department of Labor

The number of New York residents in the labor force also seems to have recovered; since the fall to 8.9 million in April of 2020, the 9.5 million reported for this April is 1,600 more than were reported in February of 2020¹.

There are still over 778,000 New Yorkers who are officially unemployed, more than twice the 374,000 last March², pre-Covid. And the statewide employment numbers are down from 9.8 million in the first quarter of 2020 to 8.8 million in the first quarter of this year³. Given the substantial changes in the state economy since last winter, it will likely take months for many of the unemployed to find work.

New York City was hurt harder by the pandemic recession, and is still in worse shape, than the rest of the state

The effects of the pandemic have been very different between New York City, with its large tourism and entertainment industries, and the rest of the state. While New York City and the rest of the state lost a similar number of jobs at the beginning of the pandemic, those losses represented a larger share of the city's jobs (see Figure 3).

Pandemic Jobs Effects, New York City vs. the Rest of the State

	New York City		Rest of New York	
	Thousands	%	Thousands	%
Employment changes, 2020 quarter 1 to 2020 quarter 2	-888.8	-19.0%	-880.3	-17.2%
Employment changes, 2020 quarter 2 to 2021 quarter 1	296.8	7.8%	475.9	11.2%
Net jobs deficit, 2020 quarter 1 to 2021 quarter 1	-592.0	-12.6%	-404.4	-7.9%

FIG. 3 Source: Fiscal Policy Institute analysis of NYS Dept. of Labor Current Employment Statistics, seasonally adjusted

Additionally, jobs were regained at a faster pace in upstate New York, so that the net year-over-year jobs deficit as of the first quarter of 2021 is much greater in New York City. New York City's large tourism and entertainment sectors account for a significant share of the job losses during the pandemic (see Figure 4).

Early Pandemic Jobs Effects by Sector, New York State

	Employment changes, 2020 quarter 1 to quarter 2	
	Thousands	%
Total Non-Farm	-1,769	-18.1%
Natural Resources, Mining and Construction	-111	-26.7%
Manufacturing	-64	-14.7%
Wholesale Trade	-49	-15.1%
Retail Trade	-219	-24.2%
Transportation, Warehousing and Utilities	-68	-21.6%
Information	-36	-12.4%
Financial Activities	-35	-4.8%
Professional and Business Services	-171	-12.7%
Educational Services	-54	-10.8%
Health Care and Social Assistance	-212	-12.8%
Arts, Entertainment and Recreation	-101	-56.4%
Accommodation and Food Services	-439	-57.0%
Other Services	-132	-32.0%
Government	-77	-5.1%

FIG. 4 Source: Fiscal Policy Institute analysis of NYS Dept. of Labor Current Employment Statistics, seasonally adjusted

Towards A “New Normal”

It is perhaps possible to be optimistic that the increases in immunizations will continue to drive the overall employment dynamics and business activity towards further improvement. As workers get back to work, the restored aggregate demand will serve as a normalizing factor for the private sector. The resulting new normal, however, may be different from the old one. The pandemic accelerated widespread technology adoption, innovation and business model modification. Thus, many have shifted toward online client interface and delivery models, thereby eliminating often better-paid in-house jobs, perhaps permanently. Employers, forced to adjust, may have figured out ways to shift toward outsourcing or mechanization. Some jobs may be gone forever, and remaining and new ones may require skills that do not match those of the labor pool of the recently unemployed.

As Josh Bivens and Heidi Shierholz note in a recent blog from the Economic Policy Institute⁴,

Any signs that the more generous UI benefits included as part of the American Rescue Plan (ARP) are driving wages higher in [the leisure and hospitality] sector are very faint—far too faint to justify a scaling back of these benefits or to justify state-level policymakers depriving their own workers of a needed boost to the safety net.

What demographic groups have been most affected?

It should be no surprise that those population groups who have usually had the hardest times finding and keeping good jobs are the some ones that have been most affected by the pandemic recession.

Figure 5 illustrates some differences among these groups.

- The number of unemployed this February-April is substantially higher than pre-Covid for both males and females. However, long-term unemployment increased proportionally more among women.
- Among these racial-ethnic categories, unemployed counts and unemployment rates increased the most among Hispanic workers.

	3-month averages					
	Employed	Unemployed	Labor force participation	Unemployment rate (U-3)	Expanded* Unemployment rate (U-6)	Unemployed for over 6 months**
Statewide						
February - April 2019	9,135,000	369,300	60.7%	3.9%	5.3%	113,100
February - April 2021	8,636,700	802,900	60.9%	8.5%	10.6%	437,500
Change	-5%	117%	+0.2 ppts	+4.6 ppts	+5.3 ppts	287%
Males						
February - April 2019	4,775,100	219,800	66.8%	4.4%	6.1%	72,300
February - April 2021	4,449,300	443,700	66.1%	9.1%	11.4%	245,000
Change	-7%	102%	-0.7 ppts.	+4.7 ppts.	+5.3 ppts.	239%
Females						
February - April 2019	4,359,900	149,500	55.0%	3.3%	4.3%	40,800
February - April 2021	4,187,400	359,200	56.1%	7.9%	9.7%	192,400
Change	-4%	140%	+1.1 ppts.	+4.6 ppts.	+5.4 ppts.	372%
Whites, non-Hispanic						
February - April 2019	5,502,300	182,700	61.6%	3.2%	4.4%	30,100
February - April 2021	5,038,100	329,400	60.5%	6.1%	7.5%	174,100
Change	-8%	80%	-1.1 ppts.	+2.9 ppts.	+3.1 ppts.	478%
Blacks, non-Hispanic						
February - April 2019	1,107,700	89,700	58.0%	7.5%	9.7%	46,900
February - April 2021	1,030,100	140,400	57.1%	12.0%	13.7%	91,200
Change	-7%	57%	-0.9 ppts.	+4.5 ppts.	+4.0 ppts.	94%
Hispanic/Latinx						
February - April 2019	1,511,300	70,700	59.4%	4.5%	6.1%	28,700
February - April 2021	1,650,500	210,100	64.8%	11.3%	14.8%	123,100
Change	9%	197%	+5.4 ppts.	+6.8 ppts.	+8.7 ppts.	329%
Totals may not agree due to rounding						
*In addition to those officially unemployed, the U-6 factors in those who would take a job if they could find one, plus those who are working part-time because they could not find full-time work.						
**Research has shown that unemployment over 6 months significantly decreases peoples' chance of finding work in the future.						
The data for Asians and other groups provided too small a sample for valid comparisons.						

FIG. 5 Source: Fiscal Policy Institute analysis of Current Population Survey microdata provided by IPUMS (IPUMS-USA, University of Minnesota, www.ipums.org), adjusted to seasonally adjusted Local Area Unemployment Statistics.

Recommendation

- Given the hundreds of thousands of people who need jobs, New York must not be hasty to enforce an arbitrary work-search requirement for unemployment insurance eligibility, despite the arguments blaming the benefits for a “labor shortage.”

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1 NYS Dept. of Labor Local Area Unemployment Series, seasonally adjusted

2 NYS Dept. of Labor Local Area Unemployment Series, seasonally adjusted

3 NYS Dept. of Labor Current Employment Statistics, seasonally adjusted (jobs in April went up to 8.9 million)

⁴ Josh Bivens and Heidi Shierholz, May 2021, “Restaurant Labor Shortages Show Little Sign of Going Economywide, Economic Policy Institute”, <https://www.epi.org/blog/restaurant-labor-shortages-show-little-sign-of-going-economywide-policymakers-must-not-rein-in-stimulus-or-unemployment-benefits/>

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